

**SUMMIT ACADEMY OIC**  
**FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2016 AND 2015**

**SUMMIT ACADEMY OIC  
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YEARS ENDED JUNE 30, 2016 AND 2015**

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Summit Academy OIC  
Minneapolis, Minnesota

We have audited the accompanying financial statements of Summit Academy OIC, which comprise the balance sheets as of June 30, 2016 and 2015, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board of Directors  
Summit Academy OIC

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Summit Academy OIC as of June 30, 2016 and 2015, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Minneapolis, Minnesota  
October 26, 2016

**SUMMIT ACADEMY OIC  
BALANCE SHEETS  
JUNE 30, 2016 AND 2015**

	2016	2015
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 1,616,756	\$ 515,676
Program Service Fee Receivables	400,734	146,748
Pledges Receivable - Current Portion	1,436,405	1,101,933
Other Assets	209,471	233,032
Total Current Assets	3,663,366	1,997,389
<b>PROPERTY AND EQUIPMENT</b>		
Land	465,500	465,500
Building and Building Improvements	4,035,279	3,932,872
Automobiles	69,977	69,977
Furniture and Equipment	1,913,059	1,795,600
Total	6,483,815	6,263,949
Less: Accumulated Depreciation	4,199,624	3,997,728
Net Property and Equipment	2,284,191	2,266,221
<b>OTHER ASSETS</b>		
Pledges Receivable - Long-Term	1,657,365	946,036
Total Assets	\$ 7,604,922	\$ 5,209,646
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Current Maturities of Capital Leases	\$ 23,430	\$ 16,164
Lines of Credit	341,237	350,000
Notes Payable - Current Maturities	76,333	73,727
Accounts Payable	317,528	226,282
Accrued Expenses	9,209	9,191
Accrued Payroll and Related Expenses	207,409	150,273
Deferred Revenue	415	36,651
Total Current Liabilities	975,561	862,288
<b>LONG-TERM LIABILITIES</b>		
Capital Lease Obligations, Less Current Maturities	45,065	60,615
Notes Payable, Less Current Maturities	1,010,451	315,932
Asset Retirement Obligation	193,395	184,184
Total Long-Term Liabilities	1,248,911	560,731
Total Liabilities	2,224,472	1,423,019
<b>NET ASSETS</b>		
Unrestricted	802,198	1,602,243
Temporarily Restricted	2,724,230	2,184,384
Permanently Restricted	1,854,022	-
Total Net Assets	5,380,450	3,786,627
Total Liabilities and Net Assets	\$ 7,604,922	\$ 5,209,646

See accompanying Notes to Financial Statements.

**SUMMIT ACADEMY OIC  
STATEMENTS OF ACTIVITIES  
YEARS ENDED JUNE 30, 2016 AND 2015**

	2016			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
<b>SUPPORT AND REVENUE</b>				
Support:				
Government Grants	\$ 1,341,180	\$ -	\$ -	\$ 1,341,180
In-Kind Donations	-	-	-	-
Contributions from Individuals, Corporations, and Foundations	1,221,542	650,014	-	1,871,556
Total Support	<u>2,562,722</u>	<u>650,014</u>	<u>-</u>	<u>3,212,736</u>
Revenue:				
Federal Student Financial Aid	48,852	-	-	48,852
State Student Financial Aid	206,511	-	-	206,511
Tuition from Pell Grants	808,048	-	-	808,048
Gross Tuition	1,142,932	-	-	1,142,932
Less: SAOIC Grant	<u>(1,130,567)</u>	<u>-</u>	<u>-</u>	<u>(1,130,567)</u>
Net Tuition	1,075,776	-	-	1,075,776
Rental Income	143,700	-	-	143,700
Special Events (Net of Direct Benefits of \$87,054 and \$60,985 for the Years Ended June 30, 2016 and 2015, Respectively)	477,741	-	-	477,741
Gain on Asset Disposal	-	-	-	-
Other	<u>92,889</u>	<u>-</u>	<u>-</u>	<u>92,889</u>
Total Revenue	<u>1,790,106</u>	<u>-</u>	<u>-</u>	<u>1,790,106</u>
Total	4,352,828	650,014	-	5,002,842
Net Assets Released from Restrictions	<u>959,750</u>	<u>(959,750)</u>	<u>-</u>	<u>-</u>
Total Support and Revenue	5,312,578	(309,736)	-	5,002,842
<b>EXPENSES</b>				
Program Services:				
Training	2,917,292	-	-	2,917,292
Service	1,584,004	-	-	1,584,004
Advocacy	<u>282,719</u>	<u>-</u>	<u>-</u>	<u>282,719</u>
Total Program Services	4,784,015	-	-	4,784,015
Supporting Services:				
Management and General	693,019	-	-	693,019
Rental Property	245,083	-	-	245,083
Fundraising	<u>471,139</u>	<u>-</u>	<u>-</u>	<u>471,139</u>
Total Supporting Services	<u>1,409,241</u>	<u>-</u>	<u>-</u>	<u>1,409,241</u>
Total Expenses	<u>6,193,256</u>	<u>-</u>	<u>-</u>	<u>6,193,256</u>
<b>CHANGE IN OPERATING NET ASSETS</b>	(880,678)	(309,736)	-	(1,190,414)
<b>NON-OPERATING ACTIVITY</b>				
Capital Campaign Revenue	-	1,135,246	1,854,022	2,989,268
Capital Campaign Fundraising Expense	(205,031)	-	-	(205,031)
Net Assets Released from Restrictions	<u>285,664</u>	<u>(285,664)</u>	<u>-</u>	<u>-</u>
Total Non-Operating Activity	<u>80,633</u>	<u>849,582</u>	<u>1,854,022</u>	<u>2,784,237</u>
<b>CHANGE IN NET ASSETS</b>	(800,045)	539,846	1,854,022	1,593,823
Net Assets - Beginning of Year	<u>1,602,243</u>	<u>2,184,384</u>	<u>-</u>	<u>3,786,627</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 802,198</u>	<u>\$ 2,724,230</u>	<u>\$ 1,854,022</u>	<u>\$ 5,380,450</u>

See accompanying Notes to Financial Statements.

2015		
Unrestricted	Temporarily Restricted	Total
\$ 1,221,224	\$ -	\$ 1,221,224
88,883	-	88,883
<u>1,255,557</u>	<u>895,764</u>	<u>2,151,321</u>
2,565,664	895,764	3,461,428
50,620	-	50,620
171,740	-	171,740
824,196	-	824,196
884,124	-	884,124
<u>(871,068)</u>	<u>-</u>	<u>(871,068)</u>
1,059,612	-	1,059,612
171,899	-	171,899
253,495	-	253,495
2,508	-	2,508
<u>151,503</u>	<u>-</u>	<u>151,503</u>
<u>1,639,017</u>	<u>-</u>	<u>1,639,017</u>
4,204,681	895,764	5,100,445
<u>732,397</u>	<u>(732,397)</u>	<u>-</u>
4,937,078	163,367	5,100,445
2,650,995	-	2,650,995
1,560,849	-	1,560,849
<u>395,144</u>	<u>-</u>	<u>395,144</u>
4,606,988	-	4,606,988
619,903	-	619,903
153,685	-	153,685
411,310	-	411,310
<u>1,184,898</u>	<u>-</u>	<u>1,184,898</u>
<u>5,791,886</u>	<u>-</u>	<u>5,791,886</u>
(854,808)	163,367	(691,441)
-	1,308,818	1,308,818
(207,489)	-	(207,489)
190,021	(190,021)	-
<u>(17,468)</u>	<u>1,118,797</u>	<u>1,101,329</u>
(872,276)	1,282,164	409,888
<u>2,474,519</u>	<u>902,220</u>	<u>3,376,739</u>
<u>\$ 1,602,243</u>	<u>\$ 2,184,384</u>	<u>\$ 3,786,627</u>

**SUMMIT ACADEMY OIC  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2016**

	2016								
	Program Services				Supporting Services				
	Training	Service	Advocacy	Total	Management and General	Rental Property	Fundraising	Capital Campaign Fundraising	Total
Salaries	\$ 1,442,851	\$ 889,711	\$ 126,903	\$ 2,459,465	\$ 345,505	\$ 61,826	\$ 243,103	\$ 22,478	\$ 3,132,377
Fringe Benefits	298,402	191,641	17,442	507,485	67,894	13,580	34,959	2,176	626,094
Professional Fees	229,954	151,761	127,022	508,737	93,378	878	114,013	137,526	854,532
Subcontractor	16,159	11,702	3,119	30,980	3,124	-	1,475	-	35,579
Depreciation	116,076	47,227	2,446	165,749	13,180	73,673	5,585	-	258,187
Occupancy and Utilities	96,615	37,149	1,681	135,445	13,253	88,630	3,319	-	240,647
Equipment Rental and Maintenance	18,788	8,429	717	27,934	2,413	3,270	1,110	-	34,727
Classroom Supplies	147,310	10,888	-	158,198	-	6	-	-	158,204
Postage and Office Supplies	8,674	14,345	301	23,320	11,105	283	7,512	1,438	43,658
Training, Meetings, and Staff Travel	8,497	14,950	2,660	26,107	34,359	263	9,466	3,495	73,690
Public Relations and Recruiting	502,320	1,085	85	503,490	23,152	-	4,284	1,434	532,360
Student Assistance	21,684	143,766	25	165,475	-	-	-	-	165,475
Dues and Subscriptions	6,306	6,164	200	12,670	5,862	-	9,284	54	27,870
Bank Charges and Interest	-	1,110	-	1,110	61,277	-	1,625	2,355	66,367
Other	3,656	54,076	118	57,850	18,517	2,674	35,404	34,075	148,520
<b>Total</b>	<b><u>\$ 2,917,292</u></b>	<b><u>\$ 1,584,004</u></b>	<b><u>\$ 282,719</u></b>	<b><u>\$ 4,784,015</u></b>	<b><u>\$ 693,019</u></b>	<b><u>\$ 245,083</u></b>	<b><u>\$ 471,139</u></b>	<b><u>\$ 205,031</u></b>	<b><u>\$ 6,398,287</u></b>

See accompanying Notes to Financial Statements.



**SUMMIT ACADEMY OIC  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2015**

	2015								
	Program Services				Supporting Services				
	Training	Service	Advocacy	Total	Management and General	Rental Property	Fundraising	Capital Campaign Fundraising	Total
Salaries	\$ 1,251,629	\$ 864,804	\$ 206,730	\$ 2,323,163	\$ 331,619	\$ 31,588	\$ 211,453	\$ 8,264	\$ 2,906,087
Fringe Benefits	242,324	167,193	27,572	437,089	56,765	6,813	28,256	1,922	530,845
Professional Fees	325,632	151,955	136,915	614,502	86,924	482	112,915	164,965	979,788
Subcontractor	11,983	18,521	2,753	33,257	3,982	-	1,475	-	38,714
Depreciation	142,795	57,927	5,783	206,505	14,435	46,721	6,904	-	274,565
Occupancy and Utilities	127,931	47,471	2,204	177,606	15,917	64,892	2,778	-	261,193
Equipment Rental and Maintenance	12,450	8,809	988	22,247	2,882	1,206	1,298	1,659	29,292
Classroom Supplies	81,214	4,153	-	85,367	-	-	-	-	85,367
Postage and Office Supplies	4,406	15,374	345	20,125	8,919	79	10,565	7,021	46,709
Training, Meetings, and Staff Travel	4,890	22,888	10,086	37,864	26,672	117	6,745	4,005	75,403
Public Relations and Recruiting	327,071	2,085	84	329,240	2,579	-	5,793	641	338,253
Student Assistance	19,803	141,236	1,162	162,201	-	-	-	-	162,201
Dues and Subscriptions	4,637	9,538	259	14,434	9,013	-	7,992	200	31,639
Bank Charges and Interest	-	1,413	-	1,413	44,705	-	2,442	-	48,560
Other	94,230	47,482	263	141,975	15,491	1,787	12,694	18,808	190,755
<b>Total</b>	<b><u>\$ 2,650,995</u></b>	<b><u>\$ 1,560,849</u></b>	<b><u>\$ 395,144</u></b>	<b><u>\$ 4,606,988</u></b>	<b><u>\$ 619,903</u></b>	<b><u>\$ 153,685</u></b>	<b><u>\$ 411,310</u></b>	<b><u>\$ 207,485</u></b>	<b><u>\$ 5,999,371</u></b>

See accompanying Notes to Financial Statements.

**SUMMIT ACADEMY OIC  
STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 1,593,823	\$ 409,888
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:		
Depreciation	258,187	274,565
Gain on Lease Termination	-	(2,508)
Asset Retirement Obligation	9,211	8,733
Change in Current Assets and Liabilities:		
Program Service Fee Receivables	(253,986)	235,169
Pledges Receivable	(2,548,674)	(1,113,838)
Other Assets	23,561	(33,870)
Accounts Payable	91,246	4,425
Accrued Expenses	18	(26,212)
Accrued Payroll and Related Expenses	57,136	(115,750)
Deferred Revenue	(36,236)	(100,185)
Net Cash Used by Operating Activities	<u>(805,714)</u>	<u>(459,583)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Property and Equipment	(266,345)	(69,151)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Advances on Debt	1,000,000	-
Payments on Debt	(302,875)	(76,173)
Cash Received from Capital Campaign	1,502,873	520,685
Line of Credit Advances	500,000	1,100,000
Line of Credit Payments	(508,763)	(750,000)
Payments on Capital Leases	(18,096)	(12,054)
Net Cash Provided by Financing Activities	<u>2,173,139</u>	<u>782,458</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	1,101,080	253,724
Cash and Cash Equivalents - Beginning of Year	<u>515,676</u>	<u>261,952</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 1,616,756</u>	<u>\$ 515,676</u>
<b>SUPPLEMENTAL INFORMATION</b>		
Non-Cash Disclosures:		
Equipment Purchased with Capital Lease	<u>\$ 9,812</u>	<u>\$ 80,820</u>
Retirement of Capital Lease Obligation	<u>\$ -</u>	<u>\$ 33,829</u>
Cash Payments for Interest	<u>\$ 66,367</u>	<u>\$ 48,752</u>
Donated Stock	<u>\$ 63,508</u>	<u>\$ 22,695</u>
Net Capital Campaign Activity	<u>\$ 2,784,237</u>	<u>\$ 1,101,329</u>

See accompanying Notes to Financial Statements.

**SUMMIT ACADEMY OIC  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

Summit Academy OIC (the Organization), a nonprofit organization based in Minneapolis, Minnesota, trains and re-trains the unemployed and under-employed, secures placement for trainees in jobs and promotes other educational and developmental programs. The Organization has been accredited as a post-secondary vocational school by the Council on Occupational Education.

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

**Financial Statement Presentation**

Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

**Unrestricted** – Those resources over which the board of directors has discretionary control.

**Temporarily Restricted** – Those resources subject to donor imposed restrictions which will be satisfied by actions of the Organization or passage of time.

**Permanently Restricted** – Those resources subject to a donor imposed restriction that they be maintained permanently by the Organization. The donors of these resources permit the Organization to use all or part of the income earned, including capital appreciation, or related investments for unrestricted or temporarily restricted purposes.

As of June 30, 2016, the Organization had unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. As of June 30, 2015, the Organization had only unrestricted net assets and temporarily restricted net assets.

**Measurement of Operations**

In its statements of activities, the Organization includes in its definition of operations all revenues and expenses that are an integral part of its program and supporting activities. Non-operating activity consists primarily of contributions and expenses relating to their capital campaign.

**Cash**

The Organization maintains its cash in checking, savings and money market accounts which, at times, may exceed federally insured limits.

**SUMMIT ACADEMY OIC  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Program Service Fee Receivables**

Program Service Fee Receivables are recorded for amounts that have been earned on government contracts during the fiscal year, as well as amounts due for the annual golf event. The Organization provides an allowance for bad debts using the allowance method, which is based on management judgment considering historical information. Services are performed on an unsecured basis based on the related contract and no interest is charged. An allowance is provided for receivables when a significant pattern of collectability has occurred. When all collection efforts have been exhausted, the accounts are written off against the related allowance, which is typically done at year-end. At June 30, 2016 and 2015, the allowance for doubtful accounts was \$12,455 and \$27,000, respectively.

**Pledges Receivable**

Promises to give are recorded at their net realizable value. Long-term promises to give that are expected to be collected in future years are recorded at the present value of the amounts expected to be collected. The discounts on those amounts are computed using an imputed interest rate applicable to the year in which the promise is received. Conditional promises to give are not included as support until such time as the conditions are substantially met. In addition to their annual fundraising event, during 2016, the Organization entered into a capital campaign primarily designated for facility improvements. As of June 30, 2016 and 2015, an allowance for uncollectible pledges receivable of \$34,525 and \$10,783, respectively, was recorded.

**Property and Equipment**

Property and equipment includes fixed assets stated at cost at date of acquisition or fair market value at date of donation in the case of donated property. The Organization capitalizes all additions greater than \$1,000. Depreciation of property and equipment is computed on the straight-line basis. The estimated useful lives in determining depreciation are:

Building and Building Improvements	10 - 29 Years
Furniture and Equipment	3 - 5 Years
Automobiles	5 Years

**Unemployment Trust**

The Organization participates in a trust in which premium payments are deposited to administer self-insurance unemployment claims. The balance as of June 30, 2016 and 2015 was \$164,571 and \$179,466, respectively, and is recorded in other assets.

**Asset Retirement Obligation**

The Organization has recorded an obligation to dispose of assets that are legally required to be removed at a future date. This obligation has been recorded at its estimated fair value using the net present value of the future obligation using a risk-free interest rate and an estimated inflationary rate.

**SUMMIT ACADEMY OIC  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Deferred Financial Aid Revenue**

The Organization charges tuition to its students for a 20-week training program. The financial aid awarded a student for the tuition charge is recorded as deferred revenue on day one of classes and then recognized on a monthly basis as the class session progresses through the 20 weeks.

**Governmental Grants, Financial Aid Revenue, and Contracts**

Governmental grants, financial aid revenue, and contract funds are recorded as revenue when earned. Revenue is earned when eligible expenditures, as defined in each grant or contract, are made or the required services are provided. Funds received but not yet earned are shown as deferred revenue. Expenditures under governmental contracts are subject to review by the granting authority. To the extent, if any, that such a review reduces expenditures allowable under these contracts, the Organization will record such disallowance at the time the final assessment is made.

**Contributions**

Contributions, unconditional promises to give (pledges receivable), and contributions of donated stock are recognized at fair values and are recorded as made. All contributions are available for unrestricted use unless specifically restricted by the donor.

Donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When these restrictions expire, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as Net Assets Released from Restrictions.

**Donated Goods and Services**

Donated goods are reflected as contributions in the accompanying statements at their fair values at the date of receipt. Contributed services that meet the criteria for recognition of contributed services contained in accounting principles generally accepted in the United States of America, are recorded at fair values at the date of receipt. The Organization received \$-0- and \$88,883 in donated goods and services in the years ended June 30, 2016 and 2015, respectively. In-kind expense of \$-0- and \$88,883 is allocated under other expenses and is included in management and general supporting services for the years ended June 30, 2016 and 2015, respectively.

**Tax Status**

Summit Academy OIC is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (IRC) and similar Minnesota Statutes. Summit Academy OIC is not considered a private foundation and contributions to the Organization are considered tax deductible.

**SUMMIT ACADEMY OIC  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Tax Status (Continued)**

The Organization follows the accounting standards for contingencies in evaluating uncertain tax positions. This guidance prescribes recognition threshold principles for the financial statement recognition of tax positions taken or expected to be taken on a tax return that are not certain to be realized. The Organization's tax returns are subject to review and examination by federal and state authorities.

**Use of Estimates**

In preparing the financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Functional Allocation of Expenses**

The costs of providing program services and other activities have been summarized on a functional basis in the statements of activities and functional expenses. Salary costs are charged directly to the program they relate to and related costs are allocated based on full-time equivalents. Other costs have been allocated among the program and the supporting services based on full-time equivalents or square footage.

**Reclassifications**

Certain reclassifications have been made in 2015 financial statements to conform to classifications use in 2016. There was no effect on net assets previously reported.

**Subsequent Events**

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through October 26, 2016, the date the financial statements were available to be issued.

**NOTE 2 CONCENTRATIONS**

The Organization maintains a portion of its cash balance in accounts which, at times, may exceed Federal Deposit Insurance Corporation (FDIC) limits. At June 30, 2016, one account held by the Organization is over the FDIC limits in the amount of \$1,568,904. There was no account over this limit as of June 30, 2015.

The Organization receives much of its funding through grants to fund programs. A significant amount of their program service revenue and program service fee receivables is from a limited number of governmental agencies for 2016 and 2015.

At June 30, 2016, three entities made up 67% of program receivables. At June 30, 2015, six entities made up 85% of the program receivables.

**SUMMIT ACADEMY OIC**  
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**JUNE 30, 2016 AND 2015**

**NOTE 3 PLEDGES RECEIVABLE**

Pledges receivable consist of the following:

	<u>2016</u>	<u>2015</u>
Annual Pledges Receivable	\$ 1,436,405	\$ 1,275,992
Capital Campaign Pledges Receivable	1,717,860	798,075
Allowance for Uncollectible Pledges	(34,525)	(10,783)
Unamortized Discount	(25,970)	(15,315)
Total	<u>\$ 3,093,770</u>	<u>\$ 2,047,969</u>
Amounts Due in:		
Less than One Year	\$ 1,436,405	\$ 1,101,933
One to Five Years	1,657,365	946,036
Total	<u>\$ 3,093,770</u>	<u>\$ 2,047,969</u>

Imputed interest rates utilized for computing the discount for long-term pledges ranges between 1.53% and 1.64%, depending on the year in which the pledge was made.

**NOTE 4 NOTES PAYABLE**

The Organization entered into a First Mortgage Note with a bank to borrow \$1,000,000. This note is secured by a First Mortgage and Security Agreement which grant the Mortgagor a security interest in all of the Organization's real property, personal property, profits on rental of property, and all judgments or awards made as a result of eminent domain. Effective April 20, 2016, this note was renewed at a rate of 4% per annum. The interest rate is subject to change based on changes in the prime rate (currently 3.50% plus a margin of 1.75%) beginning in May 2021 but may not change more often than five years. Payments include sixty monthly principal and interest payments of \$5,308 beginning May 15, 2016 and fifty-nine monthly principal and interest payments of \$5,910 beginning May 15, 2021. A balloon payment for the remaining principal amount of \$737,335 will be due on April 15, 2026. As of June 30, 2016, the outstanding balance on this note was \$995,598.

The Organization also entered into a Revolving Line of Credit during 2016. Available borrowings under the line of credit are \$500,000. Interest is payable monthly at 1.0% above the bank's index rate (3.50% at June 30, 2016), with a floor on the interest rate of 5.0%. The note is due on demand, but if no demand is made, the note is due in full on November 15, 2017. The note is secured by a mortgage on the property located at 935 Olson Memorial Highway and all business assets. At June 30, 2016, the outstanding balance on the line of credit was \$341,237. No balance was due as of June 30, 2015.

**SUMMIT ACADEMY OIC  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 4 NOTES PAYABLE (CONTINUED)**

Effective April 25, 2013, the Organization entered into another borrowing agreement with a bank to finance the purchase of a database. The amount of this loan is \$230,020 at a variable interest rate of 1.0% above the bank's index rate (3.50% at June 30, 2016), with a floor on the interest rate of 5.0%. The note is due on April 25, 2018 and requires monthly payments of \$4,348. As of June 30, 2016 and 2015, the outstanding balance on this loan was \$91,185 and \$137,445, respectively.

On September 25, 2012, the Organization entered into a borrowing agreement with a bank to finance the purchase of equipment. The amount of this loan is \$50,000 at a variable interest rate of 1.0% above the bank's index rate (3.5% at June 30, 2016), with a floor on the interest rate of 5.5%. The note was paid off on September 25, 2015. As of June 30, 2016 and 2015, the outstanding balance on this loan was \$-0- and \$4,503, respectively.

The Organization also entered into an Adjustable Rate Revolving Line of Credit Second Mortgage agreement during 2007 that was renewed during 2015. Available borrowings under the line of credit are \$300,000. Interest is payable monthly at 1.0% above the bank's index rate (3.5% at June 30, 2016), with a floor on the interest rate of 5.0%. The note was paid in full on October 15, 2015.

The Organization also entered into an additional Adjustable Rate Revolving Line of Credit agreement during 2010 that was renewed during 2015. Available borrowings under the line of credit are \$200,000. Interest is payable monthly at 1% above the bank's index rate (3.5% at June 30, 2016), with a floor on the interest rate of 5.0%. The note was paid in full on October 15, 2015.

The Organization also entered into an additional Adjustable Rate Revolving Line of Credit agreement during 2015. Available borrowings under the line of credit are \$200,000. Interest is payable monthly at 1% above the bank's index rate (3.5% at June 30, 2016), with a floor on the interest rate of 5.0%. The note expired on October 15, 2015. At June 30, 2016 and 2015, there was \$0 of borrowings.

As of June 30, 2016 and 2015, there were outstanding note payable balances of \$1,086,784 and \$389,659, respectively. Future principal payments for the notes are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2017	\$ 76,333
2018	67,140
2019	25,654
2020	26,717
2021	27,282
Thereafter	863,658
Total Principal Payments	<u>\$ 1,086,784</u>



**SUMMIT ACADEMY OIC  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015**

**NOTE 4 NOTES PAYABLE (CONTINUED)**

Effective July 19, 2016, the Organization entered into a promissory note with a Non-Profit Organization in the amount of \$300,000. The Organization is required to pay simple interest at the rate of 2% per annum on the unpaid principal balance. The note will mature on June 21, 2019.

**NOTE 5 NET ASSETS**

**Temporarily Restricted**

Temporarily restricted net assets consist of the following as of June 30:

	<u>2016</u>	<u>2015</u>
Time Restricted Pledges	\$ 1,988,789	\$ 1,089,823
Purpose Restricted Pledges	735,441	1,094,561
Total	<u>\$ 2,724,230</u>	<u>\$ 2,184,384</u>

**Restrictions Released**

Net assets restrictions were released as a result of the following conditions being met:

	<u>2016</u>	<u>2015</u>
Program Expenditures	\$ 295,664	\$ 200,021
Time Restrictions Met	664,086	722,397
Total Restrictions Released	<u>\$ 959,750</u>	<u>\$ 922,418</u>

**Permanently Restricted**

As of June 30, 2016, the permanently restricted net assets consist of amounts held in an endowment for the following purposes:

	<u>Amount</u>
Building and Maintenance	\$ 1,112,413
Innovation/Strategic Opportunity Fund	741,609
Total	<u>\$ 1,854,022</u>

**SUMMIT ACADEMY OIC**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 6 LEASES**

The Organization entered into two capital leases for copiers in October of 2013. One of the capital leases was for a black and white copier, which required 48 monthly payments of \$569. The other new capital lease was for a color copier, which required 48 monthly payments of \$516. Effective April 30, 2015, the Organization terminated these leases for the copiers and entered into two new capital leases for new copiers. One of the capital leases was for a black and white copier, which required 60 monthly payments of \$653. The other new capital lease was for a color copier, which required 60 monthly payments of \$694. Effective February 17, 2016, the Organization entered into another capital lease for a black and white copier, which requires 48 monthly payments of \$215. Future obligations on the remaining lease are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2017	\$ 23,430
2018	18,606
2019	17,826
2020	8,633
Total Payments	<u>68,495</u>
Less: Amount Representing Interest	-
Present Value of Minimum Lease Payments	<u>68,495</u>
Less: Current Maturities	(23,430)
Noncurrent Portion of Obligations Under Capital Lease	<u><u>\$ 45,065</u></u>

The following represents the value of capital leases that are capitalized as furniture and equipment at June 30. Amortization expense is included with depreciation expense in the financial statements.

	<u>2016</u>	<u>2015</u>
Cost	\$ 90,631	\$ 80,820
Accumulated Depreciation	(22,136)	(4,041)
Net Equipment	<u><u>\$ 68,495</u></u>	<u><u>\$ 76,779</u></u>

**NOTE 7 RENTAL INCOME**

The Organization has a lease agreement to lease part of their building out to Summit Early Learning Center, Inc. The lease agreement expired on December 31, 2014 and required monthly payments of \$10,800. A new lease was signed for the period of January 1, 2015 through December 31, 2015, and requires monthly payments of \$10,800. Effective January 1, 2016, rent on this lease is based on a month-to-month basis with monthly payments of \$10,800. The total lease amount for each of the fiscal years 2016 and 2015 was \$129,600.

**SUMMIT ACADEMY OIC  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015**

**NOTE 7 RENTAL INCOME (CONTINUED)**

The Organization leased part of their building to a related party (see Note 9). The lease agreement was on a month-to-month basis. The required monthly payment is \$3,525. Effective January 1, 2015, the lease agreement was renewed through December 31, 2015. As of October 31, 2015, the tenant terminated their lease. The total lease amount for fiscal years 2016 and 2015 was \$14,100 and \$42,299, respectively.

**NOTE 8 EMPLOYEE BENEFIT PLAN**

The Organization has a 401(k) profit sharing plan to which it makes an annually determined discretionary contribution up to a maximum of 4% of employee compensation. All employees who meet certain minimum employment and age requirements are eligible to participate. The Organization's discretionary contribution to the plan was \$63,594 and \$61,091 for 2016 and 2015, respectively.

**NOTE 9 RELATED PARTY**

The president of the Organization is a member of the board of directors for another nonprofit organization, The Network for Better Futures (The Network). During 2016 and 2015, \$14,100 and \$42,299, respectively, in rental payments were collected from The Network. Effective October 31, 2015, The Network moved office spaces and was no longer involved in related party transactions. The amounts are included in the financial statements as rental income.

**NOTE 10 REGULATORY**

**Department of Education Requirements for Title IV Aid**

As a condition of eligibility to participate in the various federal financial assistance programs, the Organization is required to maintain financial responsibility, as defined in 34 CRF, Part 668. In accordance with 34 CRF, Part 668, financial responsibility is defined as a composite score standard greater than or equal to 1.5. A composite score of 1.0 to less than 1.5 will be subject to additional monitoring. A composite score less than 1.0 will be required to submit financial guarantees.

As of June 30, 2016 and 2015, the Organization's composite score, as defined by the Department of Education financial condition test, was 1.85 and 1.72, respectively.

**SUMMIT ACADEMY OIC  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015**

**NOTE 10 REGULATORY (CONTINUED)**

Below is the calculation of the Organization's composite score as of June 30:

<b>2016</b>			
Primary Reserve Ratio	<u>Expendable Net Assets</u> Total Expenses	<u>2,397,516</u> 6,398,287	0.37
Equity Ratio	<u>Modified Net Assets (Total Net Assets)</u> Modified Assets (Total Assets)	<u>5,380,450</u> 7,604,922	0.71
Net Income Ratio	<u>Change in Unrestricted Net Assets</u> Total Unrestricted Revenues	<u>(800,045)</u> 5,312,578	(0.15)
Primary Reserve Strength Factor Score		10 x Primary Reserve Ratio	3.00
Equity Strength Factor Score		6 x Equity Ratio	3.00
Net Income Strength Factor Score		1 + (50 x Net Income Ratio)	(2.76)
Primary Reserve Weighted Score		40% x Primary Reserve Strength Factor Score	1.20
Equity Weighted Score		40% x Equity Strength Factor Score	1.20
Net Income Weighted Score		20% x Net Income Strength Factor Score	<u>(0.55)</u>
COMPOSITE SCORE			<u><u>1.85</u></u>
<b>2015</b>			
Primary Reserve Ratio	<u>Expendable Net Assets</u> Total Expenses	<u>1,986,844</u> 5,999,375	0.33
Equity Ratio	<u>Modified Net Assets (Total Net Assets)</u> Modified Assets (Total Assets)	<u>3,786,627</u> 5,209,646	0.73
Net Income Ratio	<u>Change in Unrestricted Net Assets</u> Total Unrestricted Revenues	<u>(872,276)</u> 4,937,078	(0.18)
Primary Reserve Strength Factor Score		10 x Primary Reserve Ratio	3.00
Equity Strength Factor Score		6 x Equity Ratio	3.00
Net Income Strength Factor Score		1 + (50 x Net Income Ratio)	(3.42)
Primary Reserve Weighted Score		40% x Primary Reserve Strength Factor Score	1.20
Equity Weighted Score		40% x Equity Strength Factor Score	1.20
Net Income Weighted Score		20% x Net Income Strength Factor Score	<u>(0.68)</u>
COMPOSITE SCORE			<u><u>1.72</u></u>